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Economics Department

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24th ANNUAL McGRAW-HILL SURVEY OF OVERSEAS OPERATIONS OF U.S. INDUSTRIAL COMPANIES, 1982-84

Executive Summary

American industrial companies don't expect to raise foreign capital spending much this year or next.

Purchases of property, plant, and equipment abroad are projected to rise just 4% in 1982 to $38.4 billion. In 1983, U.S. industrial firms plan to hike expenditures by 10%.

These projections are based on a McGraw-Hill survey conducted in July and August.

While overall expenditures are slated to rise only 4% this year, there is a sharp division between plans of manufacturing firms on one hand and petroleum firms on the other. Faced with recessionary economies in their major European and Canadian markets, manufacturers intend to cut capital spending abroad by 7% this year and by another 5% next year. One reason for this cutback is that U.S. foreign affiliates' factories are operating at low levels--about 73% on average.

U.S. oil company refineries abroad also have plenty of spare capacity. Nonetheless, oil firms' affiliates foresee a 16% jump in capital expenditures this year followed by a 23% hike in 1983. The apparent reason is that oil companies plan to pour huge sums of money into exploration in Asia. While the survey does not ask about investment in specific countries in Asia, one possibility for the big increase could be projected spending to find and develop oil reserves in China.

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